

# RACING EXPERIENCE, INC.

## 1999 MRS Expenses Based on 12/31/99 Overhead Cutoff

Category	11/30/99	12/99 Est.	1/00 Est.	Total est.	Budget	Savings	Comments
Cars	\$400,974	\$50,700	\$48,000	\$499,674	\$598,777	\$99,103	
Paint	\$38,087	\$2,500		\$40,587	\$100,600	\$60,013	
Track Rent	\$382,626		\$360,000	\$742,626	\$629,800	(\$112,826)	Extra setup/teardown days, photo shoot
Liability Ins.	\$61,565	\$6,435		\$68,000	\$68,000	\$0	
Training Eq.	\$46,953	\$500		\$47,453	\$82,200	\$34,747	
Gas	\$10,512		\$5,000	\$15,512	\$37,660	\$22,148	
Tires	\$36,378	\$2,000		\$38,378	\$93,317	\$54,939	
Car Maint.	\$183,313	\$15,000		\$198,313	\$328,391	\$130,078	
Trackside Eq.	\$46,955	\$500		\$47,455	\$50,000	\$2,545	
Staff Travel	\$130,360		\$140,000	\$270,360	\$477,859	\$207,499	
Other Travel	\$37,705	\$500		\$38,205	\$27,180	(\$11,025)	P-M meetings, site inspections
Transport	\$373,528	\$43,000	\$15,602	\$432,130	\$746,645	\$314,515	Delete Mustang Carriers
Instructors	\$369,334		\$104,000	\$473,334	\$388,000	(\$85,334)	Add 13th instructor
Staff Pay/Ben.	\$750,990	\$77,000		\$827,990	\$1,255,250	\$427,260	Progressive hiring, different structure
Overhead	\$131,741	\$10,000		\$141,741	\$180,000	\$38,259	
Facilities	\$138,900			\$138,900		(\$11,841)	
	\$3,001,021	\$208,135	\$672,602	\$3,893,601	\$5,063,679	\$1,170,078	

End-of-year number estimates are based on charging only the January 2000 California trip expenses to the 1999 budget. All overhead-type expenses such as salaries and benefits, building rent, lease payments, etc. will be transferred to the 2000 budget effective January 1, 2000. This is per instructions I received from Philip Morris as these categories were being set up last year.

### 1) School cars:

a) The Mustang leases were higher than anticipated due to the unusually low residual value assigned to the cars by PTL. (This will not be an issue long-term. Greg Leonard has indicated to me that Philip Morris is not averse to buying the Mustangs outright at the end of the lease.)

b) Adding an additional Van Diemen to the fleet (including PI system).

### 2) Paint and Livery:

a) Since our labor was paid for, there were no labor charges involved in any of the paintwork.

b) The Van Diemens were purchased with the appropriate color scheme in gel coat (at no additional charge), as opposed to painting them.

### 3) Track Rental:

a) It was not anticipated that California would be \$15,000/day. All budgeting was done around a \$10K/day number. (Philip Morris has since allocated additional funds into the budget.)

b) Running the cars on the track on Arrival days, requiring safety crews and imposing higher track rental rates for those days.

c) Requiring track rental for 3 days prior to and 1 day after each event for setup and teardown.

d) Not deciding on whether or not to use the California Speedway dates for "make-up" schools until after the track rental refund date had expired. (9 days @ \$15K: \$135K).

4) School car maintenance: Jay and I used \$5/mile to calculate these expenses based on Jay's experiences with IROC. Since all of our cars were fundamentally brand new, many maintenance issues (such as engine and drivetrain rebuilds) have not surfaced yet, but will in the future. The cars are also not driven as hard as the IROC cars were.

### 5) Trackside Equipment:

a) Not knowing exactly how we would operate or how the schools would be run, we did not estimate enough here. Funds were transferred into this area from other areas where we realized cost savings.

b) In-car radios were added to the program (\$32,000).

### 6) Staff Travel:

a) We had estimated \$800 per plane ticket, but our actual costs have been closer to \$450.

b) Rental car expenses have turned out to be about half of what we expected.

c) Special personnel training sessions and meeting trips created "Other Travel" expenses.

### 7) Transport costs:

a) We eliminated 2 trailers from the fleet along with all of their associated costs such as tractor rental, fuel, maintenance, etc.

b) Tractor rental rates from PTL were also far below the \$150/day used for estimates. (\$12K of these savings was used to buy the support truck tractor.)

8) Instructor Costs: Adding a 13th (female) instructor, with the associated travel expenses.

9) Staff Payroll and Benefits: We only hired one "crew chief" instead of two, got personnel for about 70% of what we expected to have to pay, and hired personnel progressively as we needed them, starting off with only 8 people in January, and working up to 18 by July.

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